DOCUMENT RESUME

ED 302 635 CE 051 561

TITLE	Owning and Operating a Business.
INSTITUTION	Ohio State Univ., Columbus. Instructional Materials Lab.
SPONS AGENCY	Ohio State Dept. of Education, Columbus. Div. of Vocational and Career Education.
PUB DATE	88
NOTE	47p.
PUB TYPE	Guides - Classroom Use - Guides (For Teachers) (052)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Behavioral Objectives; *Business Administration; *Business Education; Career Education; Careers; Curriculum Guides; Employment Opportunities; *Entrepreneurship; Learning Activities; Recordkeeping; Secondary Education; *Small Businesses; Vocational Education

ABSTRACT

This short course is designed to offer entrepreneurship as a career option. It outlines advantages and disadvantages of entrepreneurship, characteristics of successful business owners, and resources available to assist entrepreneurs. The course outlines five 40-minute sessions, each including objectives, appropriate exercises, student worksheets, and transparency masters. Unit titles are: Thinking about Entrepreneurship--From Interest to Plans; Getting Started--Basic Considerations; Keeping Records--Necessary Details; Developing a Plan--How to Analyze the Market; and Projecting Your Image--What to Do. A pretest and a posttest are provided. Additional materials for the instructor wishing to expand or adjust the program are provided in the appendixes. An eight-item bibliography is found at the end of the materials. (YLB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED302635

CE051561

OWNING AND OPERATING A BUSINESS

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

R Walter

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

Ohio Department of Education
Division of Vocational and Career Education
Columbus, Ohio

BEST COPY AVAILABLE

STATE BOARD OF EDUCATION

Patricia Smith, Worthington, President
Paul Brickner, Willoughby, Vice President
Jean E. Bender, Akron
Richard C. Glowacki, Toledo
Mary Goodrich, Zanesville
Jack C. Hunter, Youngstown
Virginia E. Jacobs, Lima
Mary R. Lindner, Cincinnati
William E. Moore, Woodsfield
Sue Ann Norton, Westerville
Paul F. Pfeiffer, Massillon
Ronald M. Popek, Cleveland
C. J. Prentiss, Cleveland
Edwin C. Price, Jr., Cincinnati
Constance Rice, South Charleston
Chester A. Roush, Kettering
Anthony J. Russo, Mayfield Village
Wayne E. Shaffer, Bryan
Sally R. Southard, Oxford
Jo A. Thatcher, Portsmouth
Karen L. Worley, Elyria

Franklin B. Walter
Superintendent of Public Instruction

William L. Phillis
Assistant Superintendent of Public Instruction

Darrell L. Parks
Director, Division of Vocational and Career Education

It is the policy of the Ohio Department of Education that educational activities, employment practices, programs, and services are offered without regard to race, color, national origin, sex, religion, handicap, or age.

Produced by the Center for Sex Equity, Instructional Materials Laboratory, 842 West Goodale Boulevard, Columbus, Ohio 43212, through a grant from the Ohio Department of Education, Division of Vocational and Career Education, Sex Equity Section.

CONTENTS

Introduction..... 1

Unit I: Thinking About Entrepreneurship – From Interest to Plans.... 2

Student Worksheet I-1: Pretest..... 4
Student Worksheet I-2: Are You an Entrepreneur?..... 5
Student Worksheet I-3: My Business Dream..... 6
Student Worksheet I-4: Business Ventures..... 7
Student Worksheet I-5: Questions for an Entrepreneur..... 8
Transparency Master I-1: A Business Can Be Started..... 9

Unit II: Getting Started – Basic Considerations.....10

Student Worksheet II-1: Three Types of Businesses.....13
Transparency Master II-1: In Any Business.....14

Unit III: Keeping Records – Necessary Details.....15

Transparency Master III-1: Good Record Keeping.....18
Transparency Master III-2: Income Journal.....19
Transparency Master III-3: Expense Journal.....20

Unit IV: Developing a Plan – How to Analyze the Market.....21

Transparency Master IV-1: Six *O's* for Understanding Customers....26
Transparency Master IV-2: Six *P's* of Marketing and Sales.....27
Transparency Master IV-3: Chocolate Chip Cookies.....28

Unit V: Projecting Your Image – What to Do.....29

Student Worksheet V-1: Posttest.....33
Transparency Master V-1: Sales Cycle.....35
Transparency Master V-2: Successful Selling.....36

Appendix A: Defining *Entrepreneurship*.....37

Appendix B: Classroom Speakers.....38

Appendix C: Gathering Information.....39

Appendix D: Fact-Finding Activity.....40

Appendix E: Panel Discussion.....41

Bibliography.....42

INTRODUCTION

Today more people are starting their own business than ever before. Two hundred years ago, most people owned their own business. They were farmers, silversmiths, publishers, dressmakers, flagmakers, blacksmiths, livery stable owners, millers, bakers, scouts, hunters, and trappers. With the start of the Industrial Age, many people went to work for others, until most were employees rather than entrepreneurs. Companies grew larger and employed more people until the vast majority of Americans worked for someone else. Today history is repeating itself. Many people are evaluating the benefits of entrepreneurship and are deciding they would rather be entrepreneurs than employees.

This curriculum is designed to offer entrepreneurship as a career option. It outlines advantages and disadvantages of entrepreneurship, characteristics of successful business owners, and resources available to assist entrepreneurs. Five 40-minute sessions are outlined; each includes appropriate student worksheets and transparency masters. Additional materials for the instructor wishing to expand or adjust the program are provided in the Appendices.

The *Pretest* and the *Posttest* should be used to measure knowledge acquired as a result of this study and to solicit feedback from students regarding the quality of the course content.

UNIT I
THINKING ABOUT ENTREPRENEURSHIP

From Interest to Plans

OBJECTIVES

Help students to

Gather information about entrepreneurship

Consider entrepreneurship as a career option

Examine advantages and disadvantages of business ownership

RESOURCES AND MATERIALS

Student Worksheet I-1: *Pretest*
Student Worksheet I-2: *Are You an Entrepreneur?*
Student Worksheet I-3: *My Business Dream*
Student Worksheet I-4: *Business Ventures*
Student Worksheet I-5: *Questions for an Entrepreneur*

Transparency Master I-1: *A Business Can Be Started*

INSTRUCTIONAL ACTIVITIES

1. Ask students to complete Student Worksheet I-1, *Pretest*. Collect and save these evaluations until the end of the course. They can be compared with the *Posttests* to measure students' progress.

2. Explain to students that this course is designed to help them understand that business ownership does not require extensive education or capital, but does require hard work, flexibility, utilization of advice from other business owners and professionals, the ability to get along with others, and internal motivation.

3. Read the following definition of *entrepreneur: a person who plans, organizes, finances, and operates his or her own business.*

4. Tell students that slightly over half of all entrepreneurs have a high school education or less, and that some have technical training such as that received in a vocational school. About three quarters of all entrepreneurs obtained the training to start their own business while they were working for someone else. Nearly one quarter of all businesses are owned by women, and more women are going into business than ever before. Women have the same opportunities as do men in this pursuit, and both women and men need the same internal motivation to work hard and to succeed.

5. Write *business* on the chalkboard and ask students to name a childhood business venture, such as caring for children or selling lemonade.

6. Write *advantages* and *disadvantages* on the chalkboard and ask students to brainstorm ideas for these categories based on their own experience or on that of family members or others who owned their own businesses. Write each response they offer under the appropriate heading.

7. Distribute Student Worksheet I-2, *Are You an Entrepreneur?* After students have answered the questions, explain that if they answered *yes* to most of the questions, they may have what it takes to succeed in business for themselves.

8. Give students Student Worksheet I-3, *My Business Dream*, as a homework assignment. Tell them to not restrict their ideas, but to just dream of possibilities.

9. Explain to students that they do not need to come up with brand-new ideas. In fact, if they try to start businesses that are totally different they may fail, because people are not as apt to buy a brand-new item as they are to try a newly improved item. So, the trick is to keep a successful product or service about 90 percent the way it is, and add a unique twist to the other 10 percent.

10. Ask what students think they need to make their business dream come true. Is it more specialized training than they have now (other than how to start and operate their own businesses)? Is it money to buy inventory or machinery? Is it a partner or employees to help with the work? Some entrepreneurs turn a hobby, interest, or special skill, such as coin collecting, baking, or computing, into a business. Others work for a company before deciding that they could do the whole thing better and earn more money for themselves. Occasionally a person goes into a field in which he or she has no training or experience, but this is rare. What do students think they need to learn or acquire before they can start their own businesses?

11. Project Transparency I-1, *A Business Can Be Started*, onto the screen. Tell students that most people start their first business with little or no money, using their own savings or borrowing from relatives or friends. Distribute Student Worksheet I-4, *Business Ventures*, and have students read the examples about people who started their businesses with very little money.

12. Distribute Student Worksheet I-5, *Questions for an Entrepreneur*, and have each student interview a person who has started a business similar to the one they are interested in.

STUDENT WORKSHEET I-1
PRETEST

This curriculum on owning and operating your own business is designed to offer entrepreneurship as a career option, to outline advantages and disadvantages of business ownership, to discuss characteristics of successful business owners, and to describe resources available to assist entrepreneurs. Please take a few minutes to respond to the statements below.

TRUE OR FALSE (Circle the appropriate response.)

True False 1. Most successful entrepreneurs have college educations.

True False 2. A business cannot be started effectively without a sizable initial investment of money.

True False 3. Men are more successful as entrepreneurs than women.

True False 4. It is always a good idea to have a partner to share responsibilities rather than trying to start a business alone.

True False 5. There are tax advantages for business owners.

STUDENT WORKSHEET I-2
ARE YOU AN ENTREPRENEUR?

YES OR NO (Circle the appropriate response.)

YES	NO	1.	Are you persistent in trying to solve problems and complete projects?
YES	NO	2.	Are you willing and able to devote a lot of time and energy to your work?
YES	NO	3.	Do you have a high level of self-confidence?
YES	NO	4.	Are you a *self-starter*, who seizes opportunities and who sets goals and achieves them?
YES	NO	5.	Do you challenge yourself by setting high, but realistic, goals and standards?
YES	NO	6.	Do you enjoy taking moderate, calculated risks?
YES	NO	7.	Can you learn from, and not be disabled by, your failures?
YES	NO	8.	Are you able to live comfortably without a steady income?

(Reprinted with permission from *Public Relations Journal* 1987 Public Relations Society of America.)

STUDENT WORKSHEET I-3
MY BUSINESS DREAM

Answer the following questions on a separate piece of paper. Use your imagination and just dream of possibilities.

1. If you could have one wish, what type of business would you like to start?
2. Would you like to be in the retail trades and buy and sell to the general public?
3. Would you like to make something and sell it to the general public?
4. Would you like to make something and sell it to stores to sell for you?
5. Would you like to repair or restore things, such as automobiles, small appliances, shoes, buildings, machines, or other items?
6. Would you like to write books, stories, articles, and other items for publication?
7. Would you like to promote other people or other businesses?
8. Would you like to teach a skill or a trade, or perform on-the-job training?
9. Would you like to work with information, people, or things?
10. Would you want to work out of your home, have another place to go to work (like an office or factory), or travel from place to place?

STUDENT WORKSHEET I-4
BUSINESS VENTURES

Read the following reports about people who started successful businesses.

1. A woman had always wanted to own her own bookstore. She asked her friends for old paperback books and went to garage sales and book sales, especially on the last day of the sales, and accumulated a large number of inexpensive books. She also watched newspaper advertisements and checked going-out-of-business sales for book racks. She then found a reasonably priced storefront in her neighborhood and opened a secondhand bookstore.

   She had invested only a few hundred dollars over several months for books and racks, and when she opened her store, her rent was $80 a month plus utilities. She had no employees, her hours were 11:00 a.m. to 5:30 p.m., and she closed her business on Wednesdays and Sundays. Family members and friends helped her when she needed time away from the store. She inexpensively printed fliers and business cards and distributed them to service stations, grocery stores, laundromats, and everyone she met. She advertised inexpensively in a local shoppers' newspaper. All her books were sold at half the cover price. She offered customers a credit of one quarter of the cover price for books they brought in that were sold, and she still made a profit for herself.

   For the first two months she did not have enough income to pay the rent and utilities, but by the third month, she broke even. By the end of the first year, she was able to take money out of the business for herself, even though she spent money on new fixtures and on stock when she added a line of greeting cards. Eventually she was able to move to a larger store and add new books to her merchandise. She will slowly decrease her used-book stock to a small percentage of its former space.

2. A couple started their business in a very similar way, although they concentrated on hardcover books. They learned about rare and antique books and were eventually able to make a nice profit on this new business. In this case, the husband was a teacher and the wife ran the business. When he retired they enlarged the business and they both ran it.

3. A woman who wanted to own her own dress shop started out with secondhand, gently worn clothes for the first year, then began to add new merchandise when she could afford the expense. Finally, business increased until she gave all the used clothes to a charitable organization and concentrated only on new merchandise.

STUDENT WORKSHEET I-5
QUESTIONS FOR AN ENTREPRENEUR

When you interview an entrepreneur, you will want to prepare your questions beforehand. Use the following questions for your interview and add additional questions to the bottom of the list. (Most people are very willing to talk about their own experiences; however, it is not a good idea to interview an owner in a neighborhood where you may later open a similar business and become a competitor.)

1. What prompted you to start your own business?

2. Did you work elsewhere before becoming an entrepreneur?

3. What did you do first, once you decided to start a business?

4. What are the advantages to owning your own business?

5. What are the disadvantages?

6. Would you do it again, now that you know how much time, work, and money it takes?

7. What advice do you have for someone interested in owning a business?

8. _____

_____

9. _____

_____

10. _____

_____

TRANSPARENCY I-1

A BUSINESS CAN BE STARTED. . .

WITH LITTLE OR NO MONEY!

UNIT II
GETTING STARTED

Basic Considerations

OBJECTIVES

Help students to

Organize information gained from entrepreneurs

Understand the three types of businesses

Realize the appropriateness of insurance protection and legal advice

RESOURCES AND MATERIALS

Student Worksheet II-1: *Three Types of Businesses*

Transparency Master II-1: *In Any Business*

INSTRUCTIONAL ACTIVITIES

1. Ask students to share some of the information they accumulated from interviewing entrepreneurs. List on the chalkboard some of the ways entrepreneurs got started and some of the advice they offered.

2. Discuss changes students have made to their own scenarios and new ideas they have about how they might get started in business. (Allow enough time for everyone to get a chance to talk.)

3. Tell students that many businesses are started and then changed as interests, competition, economic conditions, and opportunities change. In fact, most business owners are in a different business after two years than the one they originally started. This does not mean that the business is in a whole new field, although this sometimes happens, but that the business is somewhat different than originally conceived.

4. Distribute Student Worksheet II-1, *Three Types of Businesses*, and explain to students that there are three basic types of businesses: sole proprietorship, partnership, and corporation. Discuss the advantages and the disadvantages of each with students, and have them take notes on the following information:

   a. Sole proprietorship – In a sole proprietorship with no employees, the entrepreneur's social security number can be used as the business identification number. In this type of business, any profit or loss is reported on a Schedule C form

when filing federal income tax. This amount is added to or subtracted from salary earned from other sources. No salary for the owner can be deducted from the profit of the company in this type of business.

b. Partnership – To share responsibility, working capital, and labor, some people start partnerships. One should be cautious about this, because most partnerships fail in the long run. All partnerships must have a federal identification number, which becomes the business's social security number. When filing income tax returns, the partners split the profit or loss, and add it to or subtract it from their salaries from other sources. Tell students that it is essential to have a partnership agreement drawn up, preferably by a lawyer. When there is no money, there are no problems, but when the firm starts making money, problems arise rapidly.

c. Corporation – This is the most expensive and complicated form of business. A corporation is an artificial *person* created as a legal entity separate and distinct from the individual shareholders. A corporation can own land, it can be sued, and it can sue others. It is more expensive to form because a lawyer must handle the paperwork. It is also more expensive to maintain, since an accountant and a lawyer are usually needed at least once a year. This form of business offers very few advantages for a start-up business. Some people have the mistaken idea that incorporating will protect a person's assets from lawsuits and other liabilities. This is not usually true; insurance is the best way to protect assets.

5. Project Transparency II-1, *In Any Business*, onto the screen and explain that a lawyer should be consulted before signing a lease to rent a place of business, or any other contract. As the business becomes profitable, it is wise to have a lawyer draw up a will, which will protect the transfer of business assets to someone else. Tell students to choose an attorney, an accountant, and an insurance agent who are accustomed to working with very small businesses. These professionals will be most familiar with the details and will be aware of the newest laws.

6. Tell students that anyone who is working out of his or her home or using a car for business should notify the insurance agent so the proper rider can be added to the home owner's or automobile insurance policy. A business policy may also be necessary for expensive equipment, such as a computer or machinery. If an insurance company has not been notified that the policyholder is using a home or an automobile for business, and a loss occurs, the company could deny the claim. The best place to look for business insurance may be with an independent agent. Do not start shopping for insurance until definite information is outlined about location of the business; staff and equipment that is needed; hours

of operation; and other necessary details. Tell students to allow a month or two for quotes and for policy initiation. A service-providing business operating in-home may require no additional insurance.

STUDENT WORKSHEET II-1
THREE TYPES OF BUSINESSES

A sole proprietorship exists when the same person is both owner and worker, although there can also be employees.

ADVANTAGES	DISADVANTAGES
1. No lawyer needed to set up company	1. Unlimited liability
2. Easily formed with small initial expense	2. Demise of business when owner dies
3. Easily controlled	3. No shared responsibilities except for family members
4. Limited record keeping	4. Difficulty in attracting investor capital

A partnership is an association of two of more persons who operate a business for profit. It is similar in many ways to a sole proprietorship.

ADVANTAGES	DISADVANTAGES
1. Division of labor among the partners	1. Difficulties in transferring interest
2. Controlled by the partners	2. High liability because each is liable for the other
3. Ease of formation	3. High risk of failure, even when the business is monitarily successful
4. Limited record keeping	4. Need for legal agreement

A corporation is the preferred form of business for larger firms, and under certain circumstances, for some smaller businesses.

ADVANTAGES	DISADVANTAGES
1. Ease in attracting capital	1. Expense and difficulty of formation
2. Ease of transferring an interest without losing control	2. High operation expenses because of increased legal and accounting needs
3. Limited liability	3. Potential double taxation on earnings
4. Availability of incentive plans and fringe benefits	4. Employment tax consequences

IN ANY BUSINESS. . .

THERE ARE TIMES
A LAWYER IS NEEDED!

UNIT III
KEEPING RECORDS

Necessary Details

OBJECTIVES

Help students to

Examine the basic requirements of business ownership

Understand the importance of good record keeping

Consider what records are necessary in a small business

RESOURCES AND MATERIALS

Transparency Master III-1: *Good Record Keeping Does Not Ensure Success*
Transparency Master III-2: *Income Journal*
Transparency Master III-3: *Expense Journal*

INSTRUCTIONAL ACTIVITIES

1. Tell students that a business requires a separate checking account. It is important to keep business income and expenses separate from personal income and expenses. The checking account does not need to be a commercial account in a commercial bank unless there are employees. When shopping for the most economical charge conditions, it is wise to ask how long it takes a check to clear. Some banks hold a check five days or more before the money can be withdrawn.

2. Advise students to keep records and receipts for everything relating to the business, including mileage, and to put all income, whether check or cash, into the business checking account. Project Transparency III-1, *Good Record Keeping Does Not Ensure Success*, onto the screen, and tell students that good record keeping does not insure success, but that successful businesses keep good records. The entrepreneur usually loses in the end if good records are not kept, because advantage cannot be taken of all expenses through tax exemptions. Business owners must file income tax returns, whether they make or lose money, and they must be able to prove all their figures.

3. Project Transparency III-2, *Income Journal*, onto the screen, or draw a similar journal page on the chalkboard, and demonstrate journal use by recording an example of each type of income in the proper column. Tell students that some of their initial income may be in the form of loans, from themselves to their business, or from a relative or friend. If there is more than one loan, they should be entered separately so that repayments can be accurately recorded. Other income will be from sales. For retail and some

service businesses, sales tax should be entered in a separate column. A business of this kind must have a vendor's license, which is obtained from the county administration office. A regular vendor's license costs $25 for the first year and $10 a year thereafter, and is good only for the county in which it is issued. A temporary vendor's license costs $5 and is good for one event for up to seventeen days. This type of license is required to sell at mall shows or other special events in another county. Many times, the promoter of such an event will have temporary permits for sale; otherwise, they must be bought from the county where the event is taking place.

4. Project Transparency III-3, *Expense Journal*, onto the screen, or draw a similar journal page on the chalkboard, and demonstrate journal use by recording an example of each type of expense in the proper column. Some general expenses to list include printing (business cards and stationery), bank service charges, car and truck expenses (usually recorded at 22 1/2 cents a mile – caution students to keep accurate records of business mileage), dues (for community or trade organizations), publications (magazines that are used for the business or that offer general business advice), and legal and professional services (such as the lawyer's fee for a partnership agreement or a lease review). Other professional expenses may include an accountant's fee (if help is needed setting up books or doing taxes), office expenses, rent on business property, supplies (office supplies and equipment), travel and entertainment, utilities and telephone, and other specific expenses for a particular business.

5. Specifically outline travel and entertainment expenses. Travel includes bus, air, and rail travel, and can be fully deducted as a business expense for a business trip. Entertainment is covered when a businessperson takes a guest or guests to a restaurant and business is discussed during the meal. Spouses may be included in this meal. Currently, 80 percent of the meal can be deducted. For tax records, a receipt is needed with the names of the people who were entertained and the purpose of the business meeting written on the back.

6. Tell students that at the end of each month, the income and expense journal columns can be added to obtain monthly totals. Financial statements can be filled out whenever the business decides it is needed; however, monthly statements are recommended.

7. Advise students that at the end of the calendar year, the proper federal tax form should be filled out; it should include all sales income and should exclude the owner's investment and any loans that were received.

8. Explain to students that there are many tax advantages to owning their own business. They will be able to deduct many expenses, such as heat, light, insurance, and telephone, if they are running

a business out of their home. The amount they may deduct depends on how much of the home is being used *exclusively* for the business. *Exclusively used for business* means that a room, or portion of a room, is not used in any other way. A dining room table used for meals is not being used exclusively for business, and therefore that space cannot be deducted. The amount that can be deducted is found by calculating the square footage of the living section of the home or apartment (not including the garage, basement, or other storage areas), and dividing it by the square footage used exclusively for business. If one-tenth is used for business, this percentage of the cost of heat, light, insurance, and rent can be deducted from net profit. Note that the phone may be used for business at a larger percentage rate.

9. Explain that a sole proprietor or a partner cannot deduct a salary. Money taken out of the business is a *draw*, and the recipient is responsible for paying income taxes on it.

10. Tell students that it is quite normal to lose money the first year or two in business, at least on paper. Again stress that good record keeping is vital to a successful business.

GOOD RECORD KEEPING
DOES NOT ENSURE SUCCESS. . .

BUT SUCCESSFUL BUSINESS OWNERS
KEEP GOOD RECORDS!

TRANSPARENCY III-2
INCOME JOURNAL

Date	Received From	Loans	Nontaxable Sales	Taxable Sales	Tax	Date Deposited

TRANSPARENCY III-3
EXPENSE JOURNAL

Date	Description	Check Number	Bank Service Charges	Automobile or Truck	Office Supplies	Other

Other possible deductible expenses include printing, professional dues, professional services, office expenses, rent, utilities, travel, and meals.

UNIT IV
DEVELOPING A PLAN

How to Analyze the Market

OBJECTIVES

Help students to

Understand basic marketing considerations

Examine sales and marketing strategies

Consider customer relations when buying and selling

RESOURCES AND MATERIALS

Transparency Master IV-1: *Six O's for Understanding Customers*
Transparency Master IV-2: *Six P's of Marketing and Sales*
Transparency Master IV-3: *Chocolate Chip Cookies*

INSTRUCTIONAL ACTIVITIES

1. Tell students that units IV and V deal with sales and marketing. Marketing is simply getting the right message to the right people at the right time. Some people claim the main reason businesses fail is lack of money. Most experts say this is not true. In fact, when a new business starts, it is probably a disadvantage to have a lot of money, because the new business owner will not know what he or she really needs in the beginning, and would probably waste money. Many believe the main reason people fail in business is poor marketing. The old saying *Build a better mouse trap and the world will beat a path to your door* is not really true. There is no way people will *beat a path to your door* if they do not *know about* your better mouse trap.

2. Project Transparency IV-1, *Six O's for Understanding Customers*, onto the screen. Explain that the first step in marketing is to understand your customers. Have students take notes on the following information:

   a. Object of purchase – What do customers think they need? What do they actually purchase?

   b. Objective of purchase – Why do customers need or buy what they do? In other words, is an item (such as food or some article of clothing) a necessity? Or is it a luxury (such as designer jeans or expensive jewelry)? Do customers buy computers to entertain or to educate?

c. Organization of purchase – Who buys the item? Are the purchasers young or old, male or female, married or single, rich or poor? This understanding is extremely important because it affects the way the business owner dresses, advertises, and makes many decisions. For instance, automobile salespeople know that 80 percent of all new car purchases are decided by a woman. Therefore, the successful salesperson talks about automobile features he or she thinks the woman is interested in. Another example is background music. Playing rock and roll music makes sense in a store where most of the customers are teenagers, but not in a store where most customers are middle-aged.

d. Operation of purchase – How do customers buy the item? Do customers look in the Yellow Pages for a business that carries the specific product or service? If most do, then the business should be listed in the Yellow Pages, and maybe the extra expense for a bold listing or an ad should be considered. Do customers pay cash or charge the item when they buy it? Do they buy the product or service on impulse or do they plan ahead? Do they go to a specific store because they have a coupon or because a friend recommended the store or the item?

e. Outlets of purchase – Where do customers buy the item? In a shopping mall? Through a catalog department by phone? In a small neighborhood shop? From someone who knocks on their door?

f. Occasion of purchase – When do customers buy the item? Do they want the product or service available at any hour of the day or night (as they might if the service was refrigerator repair)? If so, an answering machine or an answering service is needed. Do they buy the item more at one time of the year than another? This information can help in making vacation plans. Do they buy the item more during the day than in the evening, or vice versa? The business owner might have an edge over competitors by staying open when comparable businesses are closed.

3. Explain that knowing the answers to these questions should guide the entrepreneur in making many decisions. Suggest that the students ask several friends, relatives, or others for information about their buying habits between now and the next session. If students know what type of business they are considering, they should ask people how they buy that product or service. Students who have no special interest should simply pick out a product or service and ask about that. This is called *market research*, and entrepreneurs should learn to do this and should continue doing it.

4. Project Transparency IV-2, *Six P's of Marketing and Sales*, onto the screen. Have students take notes on the following information:

a. Positioning – The location and accessibility of your place of business is very important. Is it worth the time or money to be located where customers can get there easily? Is a special phone number needed so people can call from other geographic areas without making a toll call? Image is also part of positioning. Is a post office box needed because you live on a residential-sounding street, like Pleasantview Trail? Will you want to convey an image of luxury or emphasize low prices? A professional image or a friendly image? These decisions affect the way you dress, design your business card, and do business in general. Quality is another consideration in positioning. Do you want to offer excellent quality and technical perfection, or quick service at a lower price? Convenience is another aspect of positioning. Will the product or service be available twenty-four hours a day, seven days a week? Do you want some time for yourself? Will you pay someone to handle the business while you are away?

b. Product – Defining your product is extremely important. Deciding exactly what you are selling can make or break your business. A funeral home would seem to be selling compassion and caskets, but highly successful funeral homes may be selling relief for survivors, to help them *make up* for all the things they did not do while the person was still alive. A lawn service would appear to be selling green grass and a nice-looking environment, but the buyer may want to impress neighbors with a beautiful lawn and a symbol of a big salary. Any automobile will transport people, so why do some people buy Lincoln Town Cars and others buy Ford Escorts? The business owner should think carefully about defining exactly what the produce or service really is.

c. Price – The best price is one that covers costs, attracts customers, and maximizes profits. The cheapest item is not always the best–in fact, some people will not buy an item if the price is too low. So the business owner must put value on the product or service, or the customers won't. This does not mean that charging too high a price will always be effective either, because the product or service may not be worth it to customers. There are three basic things to think about when setting a price: cost, competition, and customers.

   (1) Cost – Ask students to consider how much time and money is spent in creating the product or rendering the service. How much time and money are spent on materials? The cost of materials varies with production volume. There are also *fixed costs*, which include rent, telephone, business cards, stationery, electricity, and other overhead costs.

   (2) Competition – Project Transparency IV-3, *Chocolate Chip Cookies*, onto the screen and discuss the example. Ask students for their thoughts regarding the example. What would they do? Would they evaluate the competition? An

owner really has to know what competitors charge, because chances are, the customers will know. If the charge is more, be prepared to point this out to the customer before the customer points it out: the product or service may be high-priced, but it is worth it because it is better, bigger, more convenient, or whatever. If the price is less, that should be pointed out, because everybody wants to get a bargain, but the owner should stress that the product is as good as the competitor's if it is, or at least as good for the customer's purpose.

(3) Customer – Always consider your customer before setting your price. When selling lawn service to a large company or in an expensive neighborhood, the entrepreneur knows these customers have more money to spend. In a less-expensive neighborhood or when selling to a small business, the owner cannot charge as much. Other things to consider when setting price include how badly customers want or need the product or service, what else customers need or want, and the product's value or worth. Finally, the way the customer feels about the salesperson is usually more important than price. And, if nobody ever argues about the price, or if the entrepreneur gets every job bidded on, the price may not be high enough.

d. Packaging – An entrepreneur may have a great product, but may not be packaging it well, if at all. A young man who started a catering service to office buildings in Akron delivers executive box lunches in white boxes, and white bag specials in white lunch bags. He does it in a tuxedo! That is good packaging of the food, and of himself. Packaging should be appropriate for its use. Its purpose may be to protect the product from dirt, it may be to make it look better, or it may be to impress others. Packaging, which is vital to most businesses, involves not only the way the product is packaged, but also the way the person selling it is packaged.

e. Promotion – Promotion may include advertising or it may not. A business may be promoted through giving free or low-cost classes or seminars in libraries, adult education programs, or community centers. A business can promote itself by donating a tree to a town square or park with the name of the business on a plaque or sign, and then sending out a press release to the local newspapers and radio stations. Another aspect of promotion is becoming known to potential customers, and everyone is a potential customer. Successful business is a contact game.

f. Physical Distribution – How, when, and where a product or service is sold will affect sales volume. The entrepreneur

should understand potential customers' needs and desires, and then figure out how to reach the people who will want the particular product or service being sold.

TRANSPARENCY IV-1
SIX *O'S* FOR UNDERSTANDING CUSTOMERS

Object of purchase – WHAT do customers need, or what do they buy?

Objective of purchase – WHY do customers need or buy what they do?

Organization of purchase – WHO buys the item?

Operation of purchase – HOW do customers buy the item?

Outlet of purchase – WHERE do customers buy the item?

Occasion of purchase – WHEN do customers buy the item?

TRANSPARENCY IV-2
SIX *P'S* OF MARKETING AND SALES

POSITIONING

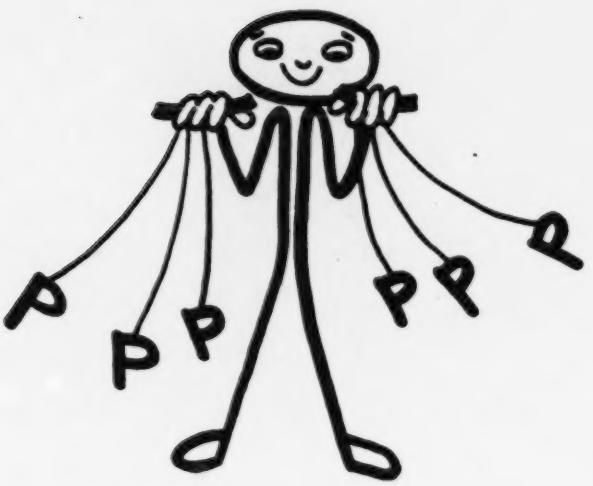
PRODUCT

PRICE

PACKAGING

PROMOTION

PHYSICAL DISTRIBUTION



TRANSPARENCY IV-3
CHOCOLATE CHIP COOKIES

If you want to start a business making and selling chocolate chip cookies, you must consider the actual material costs involved in making the cookies: shortening, sugar, eggs, and all the rest. Let us say your material cost is 76 cents per dozen when you make seven dozen.

Additional costs might include gasoline to get to the store, cookie sheets, gas or electric to cook the cookies, dishwashing detergent, water, plastic wrap, insurance, and lights. This could add another 10 cents, for a total of 86 cents per dozen.

Then consider the time involved to shop, to bake, and to package. If this takes two hours for the seven dozen, and you want to make only a minimum wage of $3.35 per hour, that would be $6.70 or 95 cents per dozen. This raises the cost of the cookies to $1.81.

Now, there are several brands of already-baked cookies in stores for under a dollar a dozen. You, as an entrepreneur, may very well want and expect to earn more than minimum wage in business for yourself. Also, why would customers spend more for your cookies when they could buy them in a supermarket for much less? Maybe your cookies are worth the money, and maybe you can sell them. Famous Amos did. Or maybe you will decide to go into another type of business, or make another kind of cookie.

UNIT V
PROJECTING YOUR IMAGE

What to Do

OBJECTIVES

Help students to

Realize the importance of projecting a good image

Understand the sales cycle

Prepare for business ownership

RESOURCES AND MATERIALS

Student Worksheet V-1: *Posttest*

Transparency Master V-1: *Sales Cycle*
Transparency Master V-2: *Successful Selling*

INSTRUCTIONAL ACTIVITIES

1. Ask students what information they received from friends, family, and strangers about who the customers are, what they buy, and how, why, when, and where they buy what they do.

2. Have students make suggestions, based on their findings, about the six *P's* of marketing and sales in relation to their own products or services.

3. Ask students to explain why they believe someone would buy their product or service instead of a competitor's product or service. Offer enough time for other students to respond.

4. Project Transparency V-1, *Sales Cycle*, onto the screen, and ask students to take notes on the following information:

   a. The first step in selling is to establish a relationship of trust with the customer. You should look professional. If you are calling on a businessperson or someone who lives in a nice neighborhood, you should wear a suit, be clean and well-groomed, have shined shoes, and use good grammar. Women are more credible and likable to customers when they wear suits rather than dresses, and skirts rather than slacks. Be careful not to dress completely in light colors, because you may be perceived lightly. People discriminate on the basis of appearance. People who do not dress appropriately for the situation may still make the sale, but will have to work

harder. Consider the fact that when your attire is neat, clean, and appropriate, you show respect for people you deal with.

Standing up straight, shaking hands firmly with a dry palm, and making eye contact are other nonverbal ways to get others to like and trust you. People who extend their hands and introduce themselves are seen as being in control of the exchange. (Ask students to practice shaking hands and to critique each other until they can shake hands properly.) Fifty-six percent of a person's perception about another is based totally on these nonverbal perceptions. When establishing a relationship of trust, the tone of voice is more important than the words, unless poor grammar is used, which can make a very negative impresssion.

b. A needs assessment is useful to learn what people need, what they want, and how they will use what they want. During the assessment, you should do very little talking and a lot of listening. Ask questions such as, *What will you use it for? When do you need it? How do you feel about union or foreign products?* It is important to understand people's feelings, because they frequently buy things because of their feelings. Finally, you should repeat what you heard the customer say to discover if you really heard him or her correctly.

c. After a good first impression and a needs assessment, you make the presentation based on the customer's needs and feelings. This includes telling the customer why this specific product or service will fit the customer's needs.

d. The next step is buyer assistance. A customer may feel the price is too high, and that money could be saved by self-installation. Financing may handle the objection. Many customers need help deciding when or what to buy. Most buyers need some help in making up their minds.

e. When a customer has been helped, it is time to close the sale. This may have to be done once, twice, or even three times. Eash time, previous information may need to be covered again. The way to close a sale is to assume the sale will be made. Do not ask *Do you want to buy it?* Instead ask *Do you want the red one?* or *Will that be cash or check?* or *Do you want to take that with you, or should we deliver it?*

f. The final step is called servicing the sale. This may be done by sending a thank-you card or letter to the customer and enclosing a postcard asking for comments so the firm can continue to offer the best possible service. It may include sending a thank-you letter to the person who sent the customer to the firm. It may include contacting the customer to make sure he or she is happy with the product received or the service rendered. There are as many ways to service a sale as there are customers.

5. Explain the importance of this whole step-by-step sales technique. Eighty percent of all sales come from 20 percent of the customers, through repeat business and referrals. Remind students that no one ever wins against a customer; the argument may be won, but the customer is lost. The satisfied customer tells three people, the dissatisfied customer tells eleven. It is extremely important to keep customers satisfied.

6. Remind students that people buy from people, regardless of the product or service. Entrepreneurs always need to sell themselves first, and then sell the benefits of the product or service. Some examples of selling the benefits of a product or service follow. The feature of a skirt may be that it is 100 percent polyester. The benefits to the customer are that the skirt is washable, does not need ironing, and will look as good at the end of the day as it did in the morning. The feature of a window made of double-paned, insulating glass, would be the glass itself. The benefits to home owners are that heat loss is cut, fuel costs are lowered, and storm windows are eliminated. If the windows are also aluminum, painting and other maintenance is minimized as well.

7. Ask students to write down the features and the benefits of their particular product or service.

8. Project Transparency V-2, *Successful Selling*, onto the screen. Tell students that they need knowledge, skills, and attitudes to be a successful salesperson or entrepreneur. Discuss the other characteristics essential to successful selling.

9. Explain that starting a business is not easy. A person must be willing to work hard, to go that extra mile for others, to put in long hours, to work when others are taking it easy, to do all kinds of jobs (many times all at once), to take risks, to be flexible and ready to change directions when conditions dictate, and to keep learning more about customers, marketing, and general business subjects. But the rewards are great. Some entrepreneurs make a lot of money, some help a lot of people, and some feel a lot of satisfaction. Some entrepreneurs do not make it the first time, and some do not even succeed the second time, but those who keep trying and keep learning are happy to be in control of their own lives. No one ever knows if they can do it until they try.

10. Distribute Student Worksheet V-1, *Posttest*, to students. Collect the evaluations when students have completed them. Then go over the five true-or-false statements with the students, allowing the students to answer and discuss the statements. (Suggest that they retain their notes to look back upon in the future.) Explain that these statements summarize some common myths about owning a business. Responses to the statements follow.

    Answer to Statement 1: *False*. Slightly over half of all entrepreneurs have a high school education or less, and some

have technical training, such as that received in a vocational school.

Answer to Statement 2: *False*. An initial investment of money is not necessary for a business to be effective. Most people start their first business with little or no money, using their own savings or borrowing from relatives or friends. Effective marketing is more important than money when starting a business.

Answer to Statement 3: *False*. Women have the same opportunities as do men in this pursuit, and both women and men need the same internal motivation to work hard and to succeed. Today more women are going into business for themselves than ever before.

Answer to Statement 4: *False*. Partnerships do not insure success, and often fail. One should be very cautious about going into a partnership. It is essential to have a partnership agreement drawn up ahead of time, so that when the firm starts making money, problems will not arise.

Answer to Statement 5: *True*. There are many tax advantages for business owners. Expenses such as heat, light, insurance, and telephone can be deducted if running a business out of the home. Travel expenses, meals, and other business expenses can also be deducted. In addition, office equipment, machinery, property, and automobiles can be depreciated.

STUDENT WORKSHEET V-1
POSTTEST

This curriculum on owning and operating your own business was designed to offer entrepreneurship as a career option, to outline advantages and disadvantages of business ownership, to discuss characteristics of successful business owners, and to describe resources available to assist entrepreneurs. Please take a few minutes to respond to both sections below.

TRUE OR FALSE (Circle the appropriate response.)

True False 1. Most successful entrepreneurs have college educations.

True False 2. A business cannot be started effectively without a sizable initial investment of money.

True False 3. Men are more successful as entrepreneurs than women.

True False 4. It is always a good idea to have a partner to share responsibilities rather than trying to start a business alone.

True False 5. There are tax advantages for business owners.

RATINGS (Circle the appropriate response.)

1. Was this course interesting to you?

5 4 3 2 1
Yes Somewhat No

(continued)

STUDENT WORKSHEET V-1
POSTTEST
(continued)

2. Would you recommend this course to others?

5	4	3	2	1
Yes		Maybe		No

3. Was the material you learned in this course valuable to you?

5	4	3	2	1
Yes		Somewhat		No

4. Will you share any of your new knowledge with anyone else?

5	4	3	2	1
Yes		Maybe		No

5. Will your behavior change in the future because of what you learned in this course?

5	4	3	2	1
Yes		Somewhat		No

TRANSPARENCY V-1
SALES CYCLE

RELATIONSHIP OF TRUST

SERVICING THE SALE

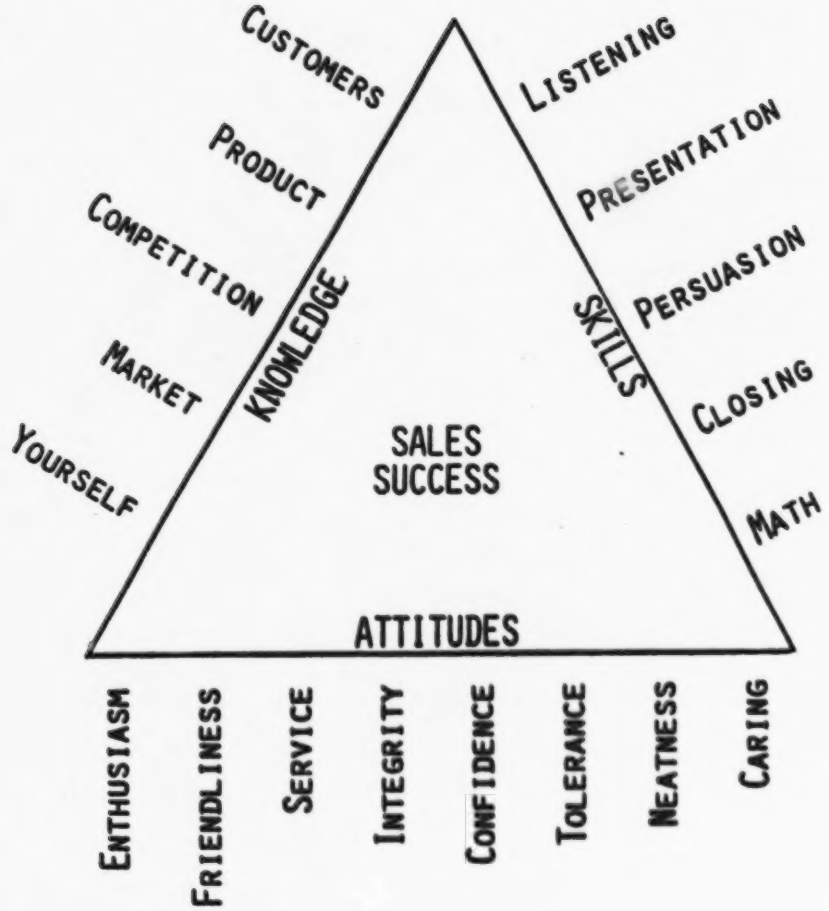
NEEDS ASSESSMENT

CLOSING THE SALE

PRESENTATION

BUYER ASSISTANCE

TRANSPARENCY V-2
SUCCESSFUL SELLING



APPENDIX A
DEFINING *ENTREPRENEURSHIP*

Divide students into groups of five or six. Have students brainstorm the meaning of the word *entrepreneurship*. Direct students to use terms that are clear, understandable, and agreeable to everyone in the group. Entrepreneurship may mean something different to each student; however, some common values should surface. Gather as a class again and discuss the values and goals that emerged from the students' definitions.

APPENDIX B
CLASSROOM SPEAKERS

Invite an accountant who deals with small businesses to speak to the class about specific accounting and bookkeeping needs. Or invite an independent insurance agent to speak about business insurance needs, such as property damage, liability, errors and omissions, inland marine, business automobile, and bonding. A lawyer is another good speaker for the class. Try to find one who is objective, knowledgeable about small-business procedures, and aware that incorporation is not always necessary.

APPENDIX C
GATHERING INFORMATION

Direct students to libraries for books and magazines that offer information on businesses. Magazines on entrepreneurship and on specific businesses are published. There are also directories of trade magazines and other periodicals by category.

Have students call the Ohio Department of Development to request information on entrepreneurship. Students should know what type of business they want to start before they call. A free business start-up kit will be sent that provides basic information about the specific business of interest. The kit also includes resources for entrepreneurs.

Ohio Department of Development
One-Stop Business Permit Center
30 East Broad Street
Columbus, OH 43266-0101
1/800/248-4040

APPENDIX D
FACT-FINDING ACTIVITY

Divide students into groups of five or six. Have them develop questions for a survey to conduct market research on a particular product or service. Have each student conduct the survey by interviewing four people outside the class. After the survey has been finished, compile the results and share them with the class.

APPENDIX E
PANEL DISCUSSION

Invite one or more small-business owners who have started their own business and survived the problems. Ask individuals who students can relate to, perhaps from the local area. Invite people from different kinds of businesses, for instance, a store owner, a service provider, and a manufacturer. Have students prepare questions in advance for the speakers.

BIBLIOGRAPHY

Bolles, R. N. (1987). *The 1987 what color is your parachute?* Berkeley, CA: Ten Speed.

Brabec, B. (1987). *Homemade money: The definitive guide to success in a home business.* White Hall, VA: Betterway.

Cooper, A. C., & Dunkleberg, W. C. (1982). *A new look at business entry experiences of 1,805 entrepreneurs.* San Mateo, CA: National Federation of Independent Business.

Luxenberg, J. W. (Ed.). (1986). *Ohio women in business in 1986.* Willowick, OH: Jane Worth Luxenberg.

Naisbitt, J. (1984). *Megatrends.* New York: Warner Books.

Office of Women's Business Ownership. (1987). *Women's handbook on how the Small Business Administration can help you go into business.* Washington, DC: U.S. Small Business Administration.

One-Stop Business Permit Center. (1987). *Business start-up kit.* Columbus, OH: Ohio Department of Development, Small and Developing Business Division.

Public Relations Society of America. (1987). Are you an entrepreneur? *Public Relations Journal, 43,* 32.

This publication was supported in part or in whole by federal funds of P.L. 98-524, through the Division of Vocational and Career Education, the Ohio Department of Education. Compliance is assured with the Carl D. Perkins Vocational Education Act of 1984, Title IX of the Education Amendments of 1972, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Ohio State Plan for Vocational Education. This publication does not necessarily reflect the official position of the U.S. Department of Education.